National Flood Insurance Program
Community Participation

Below are questions and answers from the "*Answers the Questions about the NFIP"* booklet (Q&A booklet), FEMA publication F-084 (http://www.fema.gov/business/nfip/qanda.shtm).

1. What is the National Flood Insurance Program (NFIP)?
The NFIP is a Federal program enabling property owners in participating communities to purchase insurance protection against losses from flooding. This insurance is designed to provide an insurance alternative to disaster assistance to meet the escalating costs of repairing damage to buildings and their contents caused by floods.

Participation in the NFIP is based on an agreement between local communities and the Federal Government that states if a community will adopt and enforce a floodplain management ordinance to reduce future flood risks to new construction in Special Flood Hazard Areas, the Federal Government will make flood insurance available within the community as a financial protection against flood losses.

8. How does the NFIP benefit property owners? Taxpayers? Communities?
Through the NFIP, property owners in participating communities are able to insure against flood losses. By employing wise floodplain management, a participating community can protect its citizens against much of the devastating financial loss resulting from flood disasters. Careful local management of development in the floodplains results in construction practices that can reduce flood losses and the high costs associated with flood disasters to all levels of government.

10. Why is participation in the NFIP on a community basis rather than on an individual basis?
The National Flood Insurance Act of 1968 allows FEMA to make flood insurance available only in those areas where the appropriate public body has adopted adequate floodplain management regulations for its flood-prone areas. Individual citizens cannot regulate building or establish construction priorities for communities. Without community oversight of building activities in the floodplain, the best efforts of some to reduce future flood losses could be undermined or nullified by the careless building of others. Unless the community as a whole is practicing adequate flood hazard mitigation, the potential for loss will not be reduced sufficiently to affect disaster relief costs. Insurance rates also would reflect the probable higher losses that would result without local floodplain management enforcement activities.

11. Is community participation mandatory?
Community participation in the NFIP is voluntary (although some States require NFIP participation as part of their floodplain management program). Each identified flood-prone community must assess its flood hazard and determine whether flood insurance and floodplain management would benefit the community's residents and economy. However, a community that chooses not to participate within 1 year after the flood hazard has been identified and an NFIP map has been provided is subject to the ramifications explained in the answer to Question 20.

A community's participation status can significantly affect current and future owners of property located in Special Flood Hazard Areas (SFHAs). The decision should be made with full awareness of the consequence of each action.

14. What happens when a community does not enforce its floodplain management ordinance?
Communities are required to adopt and enforce a floodplain management ordinance that meets minimum NFIP requirements. Communities that do not enforce these ordinances can be placed on probation or suspended from the program. This is done only after FEMA has provided assistance to the community to help it become compliant.

15. What is probation?
Probation is the formal notification by FEMA to a community that its floodplain management program does not meet NFIP criteria. It is an action authorized under Federal regulations.

16. When can a community be placed on probation?
A community can be placed on probation 90 days after FEMA provides written notice to community officials of specific deficiencies. Probation generally is imposed only after FEMA has consulted with the community

and has not been able to resolve deficiencies. The FEMA Regional Director has the authority to place communities on probation.

17. How long will probation last?
Probation may be continued for up to 1 year after the community corrects all Program deficiencies and remedies all violations to the maximum extent possible.

18. What penalties are imposed when a community is placed on probation?
A $50 surcharge is added to the premium for each policy sold or renewed in the community. The surcharge is effective for at least 1 year after the community's probation period begins. The surcharge is intended to focus the attention of policyholders on the community's noncompliance to help avoid suspension of the community, which has serious adverse impacts on those policyholders. Probation does not affect the availability of flood insurance.

19. What is suspension?
Suspension of a participating community (usually after a period of probation) occurs when the community fails to solve its compliance problems or fails to adopt an adequate ordinance. The community is provided written notice of the impending suspension and granted 30 days in which to show cause why it should not be suspended. Suspension is imposed by FEMA. If suspended, the community becomes non-participating and flood insurance policies cannot be written or renewed. Policies in force at the time of suspension continue in force for the policy term.

20. What happens if a community does not participate in the NFIP?
Flood insurance under the NFIP is not available within that community. Furthermore, Section 202(a) of Public Law 93-234, as amended, prohibits Federal officers or agencies from approving any form of financial assistance for acquisition or construction purposes in a Special Flood Hazard Area (SFHA). For example, this would prohibit loans guaranteed by the Department of Veterans Affairs, insured by the Federal Housing Administration, or secured by the Rural Housing Services. Under Section 202(b) of Public Law 93-234, if a Presidentially declared disaster occurs as a result of flooding in a non-participating community, no Federal financial assistance can be provided for the permanent repair or reconstruction of insurable buildings in SFHAs. Eligible applicants may receive those forms of disaster assistance that are not related to permanent repair and reconstruction of buildings.

If the community applies and is accepted into the NFIP within 6 months of a Presidential disaster declaration, these limitations on Federal disaster assistance are lifted.

Can a community withdraw from the program?
If a community chooses to voluntarily withdraw from the NFIP, existing flood insurance policies (whether "in" or "out" of the SFHA) would be allowed to expire at the end of their 1 year term (all policies are 1-year) and cannot be renewed. No new flood insurance policies can be written. For those policies under the mandatory flood insurance purchase requirement *(flood insurance is mandatory for buildings in FEMA-identified high-risk flood areas, which are called Special Flood Hazard Areas (SFHAs). This requirement applies to buildings located in SFHAs on FEMA's flood maps including loans for manufactured (mobile) homes and commercial buildings. Whenever a federally regulated loan is made, increased, extended, or renewed for a mortgage, home equity, home improvement, commercial, or farm credit loan in an SFHA, flood insurance is required for the life of the loan.)*, financial hardship for community residents/businesses could occur as the flood insurance policy could not be renewed upon expiration and the lender has the option to "call in" the federally regulated loan.

What happens if a community does not adopt the new map?
If the new map is not adopted by the effective date, the community is immediately placed into suspension. The community becomes non-participating and flood insurance policies cannot be written or renewed. Policies in force at the time of suspension continue in force for the policy term. (Policy terms are 1-year).